Investment Idea / IPO Note

Geohan Corporation Berhad

Foundation for Growth

By Thong Pak Leng, Vice President of Research

BUY

IPO Price: RM0.55
Fair Value: RM0.65

Geohan Corporation Berhad (GEOHAN, 5345) operates as an integrated foundation and geotechnical specialist, providing a full suite of services from piling and ground improvement works to subcontracting. Its expertise includes micropiling, conventional piling, and underpinning activities, supported by building engineering design and consultancy services. Driven by its expansion plans, GEOHAN is expected to register net earnings of RM14.1m and RM19.1m in FY2025 and FY2026 respectively. We peg a fair value of RM0.65 based on 15x PER (similar to its regional peers of comparable scale) over FY26 EPS.

As one of Malaysia's reputable piling and geotechnical specialists, GEOHAN serves a diverse construction related segment include residential, mixed developments, commercial, infrastructure and industrial projects. GEOHAN recorded strong revenue growth with a CAGR of 37.8% from FY2022–FY2024, supported by a sizeable order book of RM390.4m.

To support rising workload and improve operational efficiency, GEOHAN is undertaking a fleet expansion initiative funded by IPO proceeds. This includes the purchase of 4 rotary boring rigs, 8 crawler cranes and 5 excavators, which is expected to lift bored piling capacity by 10%-15%. A larger in-house fleet will reduce reliance on rented machinery, enhance resource coordination and minimise the risk of project disruptions.

For 2026, GEOHAN is positioning itself for regional expansion through entry into the Singapore foundation and geotechnical segment, where industry activity continues to strengthen. The company intends to establish permanent operations backed by a CRS Specialist Builder (Piling Works) licence (CR08, Financial Grade L1) and a fully staffed project and site team. This overseas venture broadens the Group's revenue base.

Looking ahead, Malaysia's infrastructure related projects pipeline remains solid that includes MRT3, the KL–SG HSR, RTS Johor, Penang LRT and the ECRL, alongside ongoing transit-oriented developments.

GEOHAN targets a payout ratio of 25% of its net profit to shareholders. We expect the company to pay dividend of 0.8 sen and 1.1 sen for FY25 and FY26, translating into yields of 1.5% and 2.0%. Nonetheless, we are cautious of its financial leverage, with net gearing of 0.78x as of FY24.

However, with stronger earnings ahead we expect its gearing ratio to fall below 0.25x post-listing, following the receipt of IPO proceeds and the completion of CAPEX.

KLCI	1,624.57
YTD FBM KLCI change	-1.08%
YTD FBM SC Index change	-12.70%

Stock Information

Market Cap Upon Listing (RM'm)	242.0
Enlarged Share Capital (m)	440.0
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Capital expenditure	40.0
Working capital	25.6
Estimated listing expenses	7.0
Total	**72.6**

Major Shareholders

Rogamas SB	55.0%
Lee Kim Seng	12.1%
Ir. Oh Chin Wah	3.4%

Summary Earnings Table

FY Dec (RM'm)	2023	2024	2025F	2026F
Revenue	323.8	395.2	418.9	481.8
EBITDA	40.8	49.6	50.9	62.3
Pretax profit	17.6	22.3	20.3	27.1
PATMI	13.9	13.8	14.1	19.1
Core PATMI	**13.9**	**13.8**	**14.1**	**19.1**
Consensus	-	-	-	-
Core EPS (sen)	3.2	3.1	3.2	4.3
EPS growth (%)	108.6%	-0.9%	1.8%	35.3%
DPS (sen)	0.0	0.0	0.8	1.1
PER (x)	17.4	17.5	17.2	12.7
BV/Share (RM)	0.22	0.23	0.48	0.52
ROE (%)	15.5%	13.8%	11.3%	8.7%
Div. Yield (%)	0.0%	0.0%	1.5%	2.0%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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